

Head 1– Presidential Secretariat

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Presidential Secretariat for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. In terms of Sub-section 11(1) of the National Audit Act, No.19 of 2018, the summary report including my comments and observations on the financial statements of the Presidential Secretariat was issued to the Chief Accounting Officer on 25 July 2019. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Presidential Secretariat was issued on 31 July 2019 to the Chief Accounting Officer. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka, is submitted to Parliament in terms of Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Presidential Secretariat as at 31 December 2018 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility, under those standards is further described in the Auditor’s Responsibility for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibility of the Chief Accounting Officer for the Financial Statement

The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Chief Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16 (1) of the National Audit Act, No. 19 of 2018, the Presidential Secretariat is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Ministry.

In terms of Sub-section 38(1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Presidential Secretariat and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility for the Audit of Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Presidential Secretariat's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5. Report on Other Legal Requirements

As required by Sub-section 6 (d) of the National Audit Act, No.19 of 2018, I state the followings:

- (a) As there was no requirement of preparation of financial statements for the preceding year, I could not state that the financial statements of the year under review are consistent with the preceding year.
- (b) As there was no requirement of preparation of financial statements by the Presidential Secretariat for the preceding year, recommendations on financial statements had not been made by the Presidential Secretariat.

1.6 Comments on Financial Statements

1.6.1 Property, Plant and Equipment

Audit Observation

The following differences were observed between the values of non-financial assets in the financial statements presented to Audit and in the General Treasury Reports, reported under CIGAS Programme introduced by the Department of State Accounts.

Recommendation

-
Correct and updated information should be included in the financial statements and reconciliation statements.

Comments of the Chief Accounting Officer

Action is being taken to account values after assessing them, under the new CIGAS Programme and it is informed that all data will be accounted under the new CIGAS Programme before ending this year.

Category of Assets	Asset	Balance as per Financial Statements as at 31/12/2018	Balance as per New CIGAS Programme	Difference
		Rs.	Rs.	Rs.
9151	Buildings and Constructions	4,004,731,245	42,173,777	3,962,557,468
9152	Machinery and Equipment	6,266,866,200	535,873,351	5,730,992,849
9160	Work-in-Progress	-	70,349,494	(70,349,494)
	Total	10,271,597,445	648,396,622	9,623,200,823

1.6.2 Responsibility of the Chief Accounting Officer

Audit Observation

Even though the Chief Accounting Officer shall ensure according to provisions of Section 38 of the National Audit Act, No.19 of 2018, action had not been taken accordingly. The Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Presidential Secretariat and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out. Even though those reviews should be carried out in writing and

Recommendation

Action should be taken in terms of provisions of the Act.

Comments of the Chief Accounting Officer

It is informed that the responsibility of the Chief Accounting Officer for maintaining an effective internal control system will be fulfilled since the year 2019.

copies of the same shall be made available to the Auditor General, statements that such a review had been carried out, had not been made available to Audit.

2. Financial Review

2.1 Management of Revenue – Revenue Code – 10.02.11.00 – Telephone Subscribers Levy

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) In terms of Section 2 of the Telecommunication Levy Act, No.21 of 2011, a telecommunication levy shall be charged and levied from every person receiving any telecommunication service from 01 January 2011. However, according to the information presented to Audit, payment of such a levy by a private institution was not confirmed in Audit.	Management of revenue should be formalized.	It is informed that initial legal action has been taken to recover telecommunication levies for the year 2018.
(b) In the computation of arrears of revenue from telecommunication levies relating to any year, the value of levies paid by relevant telephone companies during the following year to the said year had been based and no specific methodology was available for identification of arrears of revenue at instances of non-payment of arrears of	Recovery of arrears of revenue should be expedited in a proper manner.	Out of that, a sum of Rs.967,109,255.28 had been collected and the Telecommunication Regulatory Commission has informed me that measures have been taken to collect the remaining arrears of Rs.10,183,892.72.

levies in preceding years. Accordingly, the arrears of telecommunication levy payable further as at 31 December 2018, amounted to Rs.10,183,893.

2.2 Collection of Revenue without a Revenue Code

The following observation is made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
<p>In terms of Article 149(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka, revenue received by means of all taxes, imposts, rates and duties and all other revenues and receipts of the Republic not allocated to specific purposes should be paid to the Consolidated Fund. Revenues and receipts earned in renting out the main theatre, open air theatre, rehearsing hall, open vehicle park and the cafeteria of the Nelum Pokuna Theatre since the year 2011, had been retained in a General Deposit Account instead of crediting to the Consolidated Fund. According to the information presented to Audit, receipt of the said Deposit Account had been Rs.159.05 million in the year 2018 and out of that, a sum of Rs.83.39 million had been incurred as expenditure. Moreover, the balance of the Account as at 31 December 2018 had been Rs.254.13 million.</p>	<p>All revenue and receipts should be credited to the Consolidated Fund in terms of provisions of the Constitution.</p>	<p>Even though requests for annual budget estimates had been made for incurring expenditure of the Nelum Pokuna Theatre, provisions therefor had not been made. As such, the revenue earned from renting out the Theatre, had been credited to the Deposit Account and thereby incurred expenditure thereof.</p>

2.3 Management of Expenditure

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
(a) According to the Annual Budget Estimate – 2018 of the Presidential Secretariat, in the comparison of provisions totalling Rs.2,251,600,000 made for 04 recurrent Objects and 05 capital Objects, with provisions of Rs.610,000,000 made by supplementary provisions for those Objects during the year, amount of provisions of supplementary estimates ranged between 5 per cent and 155 per cent as compared with provisions of budget estimates.	Attention should be paid on utilization of financial provisions made by annual budget estimates for functions included in budget proposals, as planned and preparation of estimates on correct forecasting.	Excess provisions should have been obtained due to reasons such as recruitment of the new staff, increase in the salary from January 2018, payment of 1/3 and ¼ allowances with the new salary and obtaining provisions for payment of arrears of bills.
(b) According to the Annual Budget Estimate -2018, the estimated provisions for 04 capital Objects had been a zero value. However, it was observed that expenses had been made by allocating provisions from supplementary estimates amounting to Rs.340,890,000 for those Objects.	Attention should be paid on utilization of financial provisions made by annual budget estimates for functions included in budget proposals, as planned and preparation of estimates on correct forecasting.	It is informed that excess provisions were made for implementation of 02 budget proposals, for Smallholder Agribusiness Partnership Programme and for the purchase of a motor vehicle for official purposes of the Most Ven. Kotuwegoda Dhammawasa Thero, Sri Lanka Amarapura Nikaya.
(c) Savings out of net provisions as at 31 December 2018 ranged between 28 per cent and 100 per cent due to over provisions made under 19 Objects and provisions more than 50 per cent	Provisions made by the annual budget estimate should be utilized as planned.	Provisions had been saved due to non-receipt of imprests, non-receipt of foreign grants, discontinuation of contractual projects, failure to complete procurement activities and construction activities.

relating to 15 out of those Objects, had been saved.

2.4 Incurring of Liabilities and Commitments

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
A difference of Rs.57,908,820 was observed between liabilities indicated in financial statements made available to Audit and General Treasury reports.	Correct and updated information should be included in the financial statements.	Liabilities reported under new CIGAS Programme comprised of liabilities which could not be paid without imprests as at 31.12.2018 and moreover, it is informed that it was a total of both values as the value of bills which could not be paid without imprests in financial statements as at that date and the value of vouchers paid relating to commitments incurred for the year 2018, received after 31.12.2018.

2.5 Deposits

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
In terms of Financial Regulation 571, lapsed deposits should be credited to the Revenue. However, deposits of Rs.50,000 older than 02 years as at 31 December 2018 had been retained in a General Deposit Account of the Presidential Secretariat.	Action should be taken in terms of Financial Regulations.	Action will be taken to settle the balance of Rs.50,000 in the future.

3. Operating Review

3.1 Performance

3.1.1 Planning

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
The Annual Action Plan presented to Audit had not been prepared in terms of the Public Finance Circular No.01/2014 of 17 February 2014.	The Action Plan should be prepared in terms of circular instructions.	It is informed that action will be taken to revise the Action Plan for the year 2019 in terms of the Public Finance Circular No.01/2014 of 17 February 2014.

3.1.2 Non-performance of Functions

Audit Observation	Recommendation	Comments of the Chief Accounting Officer																				
(a) According to the information presented to Audit, Budget provisions, actual expenditure and savings of 03 programmes implemented by the Development and Special Project Division of the Presidential Secretariat, for the year under review, were as follows.	Functions should be performed as planned.	Reasons such as non-receipt of imprests, failure in incurring expenditure, despite having granted provisions to relevant institutions and incomplete procurement activities had been attributed to savings of National Programmes implemented by the Development and Special Project Division.																				
<table border="1"> <thead> <tr> <th>Programme</th> <th>Budget Provisions 2018</th> <th>Actual Expenditure</th> <th>Savings</th> </tr> <tr> <td></td> <td>-----</td> <td>-----</td> <td>-----</td> </tr> <tr> <td></td> <td>Rs. Million</td> <td>Rs. Million</td> <td>Rs. Million</td> </tr> </thead> <tbody> <tr> <td>Environmental Conservation N.P.</td> <td>496</td> <td>225.8</td> <td>270.2</td> </tr> <tr> <td>Let's Protect</td> <td>149</td> <td>109.5</td> <td>39.5</td> </tr> </tbody> </table>	Programme	Budget Provisions 2018	Actual Expenditure	Savings		-----	-----	-----		Rs. Million	Rs. Million	Rs. Million	Environmental Conservation N.P.	496	225.8	270.2	Let's Protect	149	109.5	39.5		
Programme	Budget Provisions 2018	Actual Expenditure	Savings																			
	-----	-----	-----																			
	Rs. Million	Rs. Million	Rs. Million																			
Environmental Conservation N.P.	496	225.8	270.2																			
Let's Protect	149	109.5	39.5																			

Children N.P.

Special Operations Unit for Cultural Renewal	16	8.6	7.4	46
	-----	-----	-----	
	1400	1020.2	379.8	
	=====	=====	=====	

Accordingly, savings of provisions of programmes ranged between 26 per cent and 54 per cent.

- (b) A difference of Rs.203 million was observed between the budgetary provisions of the performance report of the Presidential Secretariat for the year 2018 and 06 programmes in the Annual Action Plan presented to Audit. Books and registers should be maintained in an updated manner. Obtaining additional provisions and transferring to other programmes etc. have attributed to this difference.
- (c) In the examination of provisions granted by the Presidential Secretariat for implementation of each programme above and the progress thereof, the following matters were observed during the audit test check carried out relating to the District of Nuwara Eliya.
- (i) Two nurseries had been constructed in the village by incurring an expenditure of Rs.666,640 for the development of coffee cultivation in the Grama Niladhari Division of Galkadapatha in Walapone under the Grama Shakthi Project. The estimate for constructing a nursery for planting of coffee has been prepared by an Engineer of the Provincial Road Development Authority and accordingly, the required quantity of G1 pipes and square metres of netting had been indicated. As such, the Technical Assistant had submitted the bill. However, no measurements whatsoever, relating to the length, width and height of the nursery constructed was mentioned in the bill and as such, inspections could not be carried out. Instructions should be given to update records and registers. The Measuring Note could not be included in the file due to a delay.
- (ii) The Walapone Divisional Secretariat had Action should be Measuring activities of

purchased a machine by spending a sum of Rs.357,000 for the Project on Production of Environment friendly Lunch Sheets using Banana Leaves under the Grama Shakthi Programme. Moreover, an expenditure of Rs.1,254,220 had been spent for repairs of the building in which the machine is installed. It was observed that the safety of the machine is at risk due to failure in fixing grills for windows of the building in which the machine is accommodated. Moreover, it had been planned to produce lunch sheets from banana leaves originally existing in Divisions, to commence plantation of 1,500 Cavendish banana plants in December 2018. However, banana plants had not been purchased even up to 14 February 2019, the date of Audit and the production of launch sheets as well had not been commenced.

- (iii) Provisions of Rs.3,082,500 had been allocated by the Presidential Secretariat to the Walapone Divisional Secretariat Division for the Project on preservation of Water Sources of Plantation Companies under the National Programme on Environmental Conservation 2016-2018. Moreover, according to the project proposal, it has been identified that 91 blocks of lands with water sources exist. However, only 40 blocks of land have been surveyed. The said financial provisions have been made on 14 September 2018 and only the catchment areas have been surveyed. As the activities of fixing posts and allotting them had not been carried out, the objectives of the Project had not been achieved. Payments of Rs.50,000 had been made to landowners for soil conservation of three private lands instead of conservation of catchment areas of lands owned by plantation companies. Out of provisions granted for conservation of catchment areas, a sum of Rs.700,000 had been returned due to non-preparation of the Project report accurately and non-preparation of procurement estimates when necessary.

taken to achieve expected objectives.

Action should be taken to achieve expected objectives.

only 40 out of 91 water sources could be carried out. It is kindly informed that the remaining amount of Rs.700,000 allocated, had been released again due to the breaking of the North East monsoon and due to the limited period in closing accounts at the end of the year.

It is informed that it takes about 06 months for a nurseryman to provide 1,500 banana plants and as a result, the said project could not be commenced even by 14 February 2019, the date of Audit.

3.2 Losses and Damage

The motor vehicles belonging to the Presidential Secretariat had met with accidents in 180 instances in the year 2018 and according to the financial statement presented to Audit, the number of accidents occurred prior to the year 2018 but not written off/ brought forward, was 144. The following matters were observed in this connection.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
(a) Seventy one motor vehicle accidents of which the value of loss could not be decided due to failure in obtaining estimates/unavailability of relevant information, were included therein. These accidents included accidents occurred from the year 2014 up to 31 December 2018.	Action should be taken in terms of Financial Regulations relating to accidents.	Settlements cannot be made as information relating to accidents relevant for the years 2014, and 2015 was not available. Repairs relating to accidents which occurred in the years 2016-2018 are being carried out already and there are instances where no repairs are needed.
(b) Even though the accidents had occurred over a period before one year, future activities could not be carried out due to the delay in obtaining estimates.	Action should be taken in terms of Financial Regulations relating to accidents.	The motor vehicles owned by this Secretariat have been attached to officers entitled to motor vehicles and to various other Divisions. The failure in providing a suitable motor vehicle by the transport reserve for the repairs of the motor vehicle which met with the accident had mainly attributed to the delay.
(c) Moreover, it was observed that certain motor vehicles which had met with accidents included in the statement of writing off, are scrap and even though estimates had been obtained during the year 2018, future proceedings had not been carried out.	Action should be taken in terms of Financial Regulations relating to accidents.	Activities of claiming compensation had not been carried out by drawing the attention of officers who had acted then, relating to accidents occurred from 2009 to 2014 and most matters concerned with motor vehicle accidents since the year 2009, have

been settled by now.

- (d) Instances were observed in which motor vehicles with slight damages due to accidents had been made to run without being repaired and it was also observed that this situation could adversely affect in future insurance claims.
- Action should be taken in terms of Financial Regulations relating to accidents.
- The officers who acted relating to accidents that occurred in the years 2013 and 2014 had not paid proper attention therefor and as such, the those motor vehicles had been parked without being repaired. As a result, it was not possible to repair only the damage due to the accident and use for running.
- (e) In terms of Financial Regulation 104(3) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, if a delay of more than seven days is envisaged for making a full report, a preliminary report should be submitted immediately, after holding a preliminary inquiry and in terms of Financial Regulation 104(4), a full report should be submitted within 3 months from the date of loss by conducting a complete inquiry. However, the Presidential Secretariat had not taken action in terms of Financial Regulation 104(3) and 104(4) and as such, the persons responsible for the accidents could not be identified and it was observed that no suitable internal control methods had been established to avoid this situation in future.
- Action should be taken in terms of Financial Regulations relating to accidents.
- As there are a large number of motor vehicles, there are a large number of accidents as well and information on those accidents are not received to this Secretariat on the same day. As such, action cannot be taken in terms of Financial Regulations 104(3) and 104(4) as due. As such, it is kindly informed that necessary action will be taken to appoint a Board of Inquiry and to hold inquiries in terms of Financial Regulation 104.

4. Human Resources Management

4.1 Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

The approved and actual number of posts of the Presidential Secretariat as at 31 December 2018 stood at 1,598 and 1,346 respectively. Accordingly, the number of vacancies in the staff was 262 while the excess staff in the Senior Level stood at 10.